

Interim Report

JUNE 2023



EastPack
Growers at heart



EastPack Ltd Interim Financial Statements

Six months to June 2023

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Consolidated Income Statement

For the six months ended 30 June 2023

	NOTES	6 MONTHS TO JUNE 2023 UNAUDITED (\$000'S)	6 MONTHS TO JUNE 2022 UNAUDITED (\$000'S)	12 MONTHS TO DECEMBER 2022 AUDITED (\$000'S)
Revenue	1	172,187	177,698	234,158
Packaging materials		(34,328)	(38,206)	(41,427)
Employee benefits expense		(58,989)	(65,658)	(106,067)
Directors compensation		(292)	(234)	(515)
Other expenses		(31,045)	(34,357)	(47,819)
		(124,654)	(138,455)	(195,828)
Earnings before interest, tax, depreciation		47,533	39,243	38,330
Depreciation		(10,934)	(10,932)	(22,785)
Earnings before interest and tax		36,599	28,311	15,545
Finance Income including unrealised gains/(losses) on derivatives		(1,480)	1,040	431
Interest expense		(7,485)	(2,755)	(6,997)
Net finance costs		(8,965)	(1,715)	(6,566)
Net profit/(loss) before taxation		27,634	26,596	8,979
Income tax charge		(8,107)	(7,604)	(2,751)
Deferred tax charge		(93)	466	362
Net profit after taxation		19,434	19,458	6,590
Earnings per share				
Basic and diluted earnings per share		\$0.19	\$0.19	\$0.06

The accompanying notes form an integral part of these financial statements

Consolidated Statement of other Comprehensive Income

For the six months ended 30 June 2023

	NOTES	6 MONTHS TO JUNE 2023 UNAUDITED (\$000'S)	6 MONTHS TO JUNE 2022 UNAUDITED (\$000'S)	12 MONTHS TO DECEMBER 2022 AUDITED (\$000'S)
Net profit/(loss) after taxation		19,434	19,458	6,590
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in the fair value of equity investments		(39)	(13)	(119)
Total Items that will not be reclassified subsequently to profit or loss		(39)	(13)	(119)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Movement in cash flow hedge reserve		(32)	-	500
Total Items that may be reclassified subsequently to profit or loss		(32)	-	500
Total comprehensive income for the period		19,363	19,445	6,971
Total comprehensive income attributable to:				
Owners of the company		19,363	19,445	6,971
Total comprehensive income for the period		19,363	19,445	6,971

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	NOTES	SHARE CAPITAL (\$000'S)	OTHER RESERVES (\$000'S)	RETAINED EARNINGS (\$000'S)	TOTAL (\$000'S)
Opening balance 1 January 2022 (audited)		44,805	74,800	67,054	186,659
Net profit after taxation		-	-	19,458	19,458
Other comprehensive income, net of tax		-	(13)	-	(13)
Total comprehensive income for the year		-	(13)	19,458	19,445
Dividends paid	4	-	-	(4,130)	(4,130)
Reclassification on disposal of financial assets at FVOCI		-	(643)	643	-
Shares issued under dividend reinvestment programme	3	38	-	-	38
Closing balance 30 June 2022		44,843	74,144	83,025	202,012
Opening balance 1 January 2023 (audited)		44,843	74,538	70,119	189,500
Net profit after taxation		-	-	19,434	19,434
Other comprehensive income, net of tax		-	(71)	-	(71)
Total comprehensive income		-	(71)	19,434	19,363
Dividends paid	4	-	-	-	-
Ordinary shares issued		3,232	-	-	3,232
Closing balance 30 June 2023		48,075	74,467	89,553	212,095

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2023

	NOTES	JUNE 2023 UNAUDITED (\$000'S)	JUNE 2022 UNAUDITED (\$000'S)	DECEMBER 2022 AUDITED (\$000'S)
EQUITY				
Share capital	3	48,075	44,843	44,843
Reserves		74,467	74,144	74,538
Retained earnings		89,553	83,025	70,119
Total equity		212,095	202,012	189,500
NON CURRENT LIABILITIES				
Deferred taxation		18,371	18,370	18,279
Refunds due to resigned shareholders		-	121	-
Borrowings	5	176,829	150,000	166,009
Derivative financial instruments		1,337	-	-
Lease liabilities		3,275	2,413	3,391
Total non current liabilities		199,812	170,904	187,679
CURRENT LIABILITIES				
Borrowings	5	33,000	23,000	-
Lease liabilities		3,031	1,419	1,806
Trade and other payables	6	20,245	23,115	22,343
Employee entitlements	7	2,754	3,498	2,328
Provision for taxation		7,636	6,510	978
Refunds due to resigned shareholders		57	55	67
Income in advance		-	1,246	1,705
Total current liabilities		66,723	58,843	29,227
TOTAL FUNDS EMPLOYED/LIABILITIES		478,630	431,759	406,406
NON CURRENT ASSETS				
Property, plant and equipment (PPE)	8	374,203	337,433	360,020
Right of use assets (ROU)		6,690	4,756	5,478
Derivative financial instruments		650	3,088	1,126
Investments		1,598	1,556	1,637
Total non current assets		383,141	346,833	368,261
CURRENT ASSETS				
Cash and cash equivalents		1	452	6,486
Trade and other receivables	9	89,004	79,070	21,419
Biological assets	10	-	178	4,092
Inventories	11	6,484	5,226	6,148
Total current assets		95,489	84,926	38,145
TOTAL ASSETS		478,630	431,759	406,406

For and on behalf of the Board



John Loughlin – Chairman



Mark Yeoman – Director

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows

For the six months ended 30 June 2023

	NOTES	6 MONTHS TO JUNE 2023 UNAUDITED (\$000'S)	6 MONTHS TO JUNE 2022 UNAUDITED (\$000'S)	12 MONTHS TO DECEMBER 2022 AUDITED (\$000'S)
CASHFLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from customers		127,717	143,938	232,183
Interest received		249	95	375
Dividends received		14	24	407
		127,980	144,057	232,965
Cash was applied to:				
Payments to suppliers and employees		(125,232)	(137,482)	(198,025)
Interest paid		(7,445)	(2,642)	(6,709)
Lease interest paid		(40)	(113)	(288)
Taxation paid		(1,542)	(3,337)	(4,372)
		(134,259)	(143,574)	(209,394)
NET CASH FLOWS FROM OPERATING ACTIVITIES	2	(6,279)	483	23,571
CASHFLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Investments		-	655	468
		-	655	468
Cash was applied to:				
Advances to grower entity		(26,119)	(28,357)	-
Purchase of property, plant and equipment		(19,987)	(32,450)	(70,141)
		(46,106)	(60,807)	(70,141)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(46,106)	(60,152)	(69,673)
CASHFLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
Issue of ordinary shares		3,232	-	-
Proceeds from bond issuance		-	-	26,509
Proceeds from borrowings		43,820	59,500	26,000
		47,052	59,500	52,509
Cash was applied to:				
Payment of lease liability		(1,142)	(1,353)	(1,710)
Payment of dividends		-	(4,130)	(4,168)
Redemption of shares		(10)	(260)	(407)
		(1,152)	(5,743)	(6,285)
NET CASH FLOWS FROM FINANCING ACTIVITIES		45,900	53,757	46,224
Net (decrease)/increase in cash and cash equivalents		(6,485)	(5,912)	122
Opening cash and cash equivalents		6,486	6,364	6,364
Closing cash and cash equivalents	1	1	452	6,486

The accompanying notes form an integral part of these financial statements



Notes to the Interim Financial Statements

For the six months ended 30 June 2023

This section contains the notes to the interim consolidated financial statement for EastPack Limited, its subsidiaries and associates. To give stakeholders a clear insight into how EastPack organises its business, the note disclosures are grouped into six sections:

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Basis of Preparation

Reporting entity and statutory base

EastPack Ltd (the "Company") is a co-operative Company domiciled and incorporated in New Zealand under the Companies Act 1993 and registered under the Co-operative Companies Act 1996. The Company is an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013.

The interim consolidated financial statements for the "Group" are for the economic entity comprising the Company and its subsidiaries. The interim financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

Nature of operations

The principal activities of the Group are operating packhouses, providing coolstorage services and providing orchard management.

Statement of compliance and basis of preparation

Group consolidated interim financial statements for the six month reporting period ended 30 June 2023 have been prepared in accordance with New Zealand Generally Accepted Accounting Principles ("NZ GAAP") and NZ IAS 34, Interim Financial Reporting. For the purposes of complying with NZ GAAP, the Company is a for-profit entity.

The unaudited consolidated interim financial information has been prepared utilising the same accounting policies and method of computation as the audited 31 December 2022 financial statements. The interim financial statements should be read in conjunction with those financial statements, which have been prepared in accordance with New Zealand International Financial Reporting Standards.

The significant accounting policies applied in the preparation of the interim financial statements are set out below.

The interim financial statements were approved by the Board of Directors on 15 August 2023. Once issued, the Directors do not have the power to amend these interim financial statements.

Going concern assumption

For the year ended 31 December 2023, the Group's profitability is forecast to be adversely affected by a very low kiwifruit crop. The 2023 harvest was impacted by a significant frost event in October 2022, variable bud break in spring 2022, and Cyclones Halle and Gabrielle in early 2023. This has resulted in orchard yields overall being at record lows for the 2023 season.

The Group has made a profit for the first 6 months of the year and has complied with its banking covenants as at 30 June 2023. The Group is a seasonal business and earns the majority of its profits in the first six months of the year when kiwifruit is packed. The Group is forecasting to make a loss for the full financial year and not meet its current bank covenant requirements at 31 December 2023.

The Group has taken a number of steps to manage operating costs and reduce capital expenditure costs.

The Group has commenced discussions with the banking syndicate and the Directors have confidence that the banking syndicate would work with the Group to revise the financial covenants as required before 31 December 2023.

Forecasts have been completed for the 2024 season and following years and the outlook for the Group and the industry remains positive. Orchard yields are expected to return to more normal levels and annual crop volumes will grow as previous SunGold licence releases mature and reach full production, and the continuing release of new SunGold and RubyRed licences by Zespri. The Directors have concluded that, based on the current information, there are no material uncertainties that the Group would not be able to comply with financial covenants in place for the 2024 and 2025 financial years.

The Group's loan facilities expire on 16 October 2025 and 4 November 2025 (see note 5) and there is no indication that these would not be able to be refinanced at that time.

The financial statements have been prepared on a going concern basis.

Seasonal nature of Group operations

A high proportion of the Groups' revenue is generated and cost of sales incurred in the Autumn and Winter when produce is harvested. Accordingly, a high proportion of the Group's earnings is shown in this interim report. Seasonal fluctuations impact the timing of gross profit.

Goods and Services Tax (GST)

All revenue and expense transactions are recorded exclusive of GST. Assets and liabilities are similarly stated exclusive of GST, with the exception of receivables and payables, which are stated inclusive of GST. The net amount of GST recoverable from, or payable to, Inland Revenue, is included in the Statement of Financial Position.

Impact of standards issued but not yet applied by the entity

There are no new standards, amendments or interpretations that have been issued and are effective that are expected to have a significant impact on the Group.

1. Revenue

The Group's major revenue streams are post harvest operations and orchard management.

	6 MONTHS TO JUNE 2023 UNAUDITED (\$000'S)	6 MONTHS TO JUNE 2022 UNAUDITED (\$000'S)	12 MONTHS TO DECEMBER 2022 AUDITED (\$000'S)
Revenue from contracts with customers			
· Post harvest operations	156,739	158,412	207,771
· Orchard management	10,524	14,400	15,295
Total revenue from contracts with customers	167,263	172,812	223,066
Dividends received	14	24	407
Rent revenue	158	26	31
Interest revenue	249	95	375
Pollen revenue	144	-	882
Gain/(loss) on sale of investments	-	-	(4)
Other revenue	4,359	4,741	9,401
Total	172,187	177,698	234,158

2. Reconciliation of net surplus with cash flow from operating activities

	6 MONTHS TO JUNE 2023 UNAUDITED (\$'000'S)	6 MONTHS TO JUNE 2022 UNAUDITED (\$'000'S)	12 MONTHS TO DECEMBER 2022 AUDITED (\$'000'S)
Net profit after tax	19,434	19,458	6,590
Add / (less) Non cash items			
Depreciation	10,934	10,932	22,785
Bonus issue of shares in unlisted companies	-	-	(189)
Deferred tax expense/(income)	(93)	466	(362)
Derivative Financial expense/(income)	1,480	(1,040)	(431)
	12,321	10,358	21,803
Movement in Working Capital			
(Decrease)/increase in trade and other payables, excluding movement relating to purchases of property, plant and equipment	(9,112)	(1,501)	4,857
(Decrease)/increase in employee entitlements	426	1,019	(151)
Decrease/(increase) in trade and other receivables	(41,466)	(33,641)	(4,347)
(Increase)/decrease in biological assets	4,092	3,918	4
Decrease/(increase) in inventory	(336)	(2,910)	(3,832)
(Decrease)/increase in income in advance	1,705	-	459
Increase/(decrease) in tax payable	6,658	3,801	(1,731)
	(38,033)	(29,314)	(4,741)
Items classified as investing/financing activities			
Loss/(gain) on sale of investments	-	-	4
Loss/(gain) on sale of property, plant and equipment	(1)	(19)	(85)
	(1)	(19)	(81)
Net cash flow from operating activities	(6,279)	483	23,571

Accounting Policies

Cash flow statements are prepared using the direct approach. Cash and cash equivalents are shown exclusive of GST.

3. Share capital

	JUNE 2023 UNAUDITED NUMBER OF SHARES	JUNE 2023 UNAUDITED (\$'000'S)	JUNE 2022 UNAUDITED NUMBER OF SHARES	JUNE 2022 UNAUDITED (\$'000'S)
Ordinary Shares as at 1 January	104,650,797	44,843	104,615,811	44,805
Shares issued under dividend reinvestment programme	-	-	34,986	38
Ordinary shares issued	1,271,843	1,889	-	-
Nil paid Shares issued	971,377	1,343	-	-
Ordinary Shares Balance as at 30 June	106,894,017	48,075	104,650,797	44,843

At reporting date there were 106,894,017 shares on issue which comprises 105,899,265 fully paid shares and 994,752 Nil Paid shares. At reporting date the outstanding amount on Nil paid shares has been recorded in the Statement of Financial Position as a receivable discounted to reflect the extended payment terms. The model uses assumptions that the shares will be paid on the compulsory payment date and applies a discount rate of 7.03%.

All ordinary shares rank equally subject to the voting cap and are classified as equity. Each shareholder is entitled to one vote per ordinary share up to a maximum that is calculated by reference to the lesser of the number of shares held or that shareholders' New Zealand production supplied to EastPack. The voting rights of shareholders are capped by reference to the individual shareholders' share of total production supplied to the Company during the year.

4. Distributions to owners

	6 MONTHS TO JUNE 2023 UNAUDITED (\$'000'S)	6 MONTHS TO JUNE 2022 UNAUDITED (\$'000'S)
Ordinary shares - dividend paid	-	4,092
Ordinary Shares - shares issued under dividend reinvestment programme	-	38
Total dividends	-	4,130

In the six months to 30 June 2023 no dividends were paid on ordinary shares (June 2022: 4.0 cents per share fully imputed).

5. Borrowings

	JUNE 2023 UNAUDITED (\$'000'S)	JUNE 2022 UNAUDITED (\$'000'S)	DECEMBER 2022 AUDITED (\$'000'S)
Current portion	33,000	23,000	-
Non current portion	176,829	150,000	166,009
Total	209,829	173,000	166,009
Non current portion			
Banking facility	150,000	150,000	139,500
Subordinated notes	28,810	-	28,810
Subordinated note issue costs	(1,981)	-	(2,301)
Total	176,829	150,000	166,009

The current portion represents borrowings which have a maturity date of less than twelve months from reporting date. The Group secured revised banking facilities in 2022 with a syndicate of 3 banks (ASB Bank, Rabobank, and Bank of New Zealand) with a total facility of \$205m (30 June 2022: Facility with the Bank Group: \$192m). The facility is in two tranches that mature on 16 October 2025 and 4 November 2025. Bank of New Zealand operate as security agent for the syndicate.

On 4 September 2022, EastPack Limited released a Product Disclosure Statement of subordinated unsecured fixed rate notes to New Zealand retail investors. The note issue offer was subscribed at \$28.8m on 12 December 2022 and issued on 16 December 2022. The bond issue has a term of five years and matures on 16 December 2027 with a fixed 8.90% interest rate for the year to 16 December 2023. The interest rate is set annually at the 5 Year Government bond rate plus a margin of 4.5%. A minimum interest rate of 8.5% applies over the term of the Notes. Transaction costs associated with the issue of the bond totalling \$2.0m were recognised in the profit and loss using the effective interest rate methodology over the term of the Note.

Banking covenants

The Group is subject to various banking covenants as part of the Group's total facility with the syndicate of banks. The Group monitors these banking covenants on a regular basis. The Group was in compliance with all covenants at the reporting date (refer to the going concern assumption on page 10).

6. Trade and other Payables

	JUNE 2023 UNAUDITED (\$000'S)	JUNE 2022 UNAUDITED (\$000'S)	DECEMBER 2022 AUDITED (\$000'S)
Trade payables	10,883	13,852	8,775
Sundry payables	5,754	7,885	7,533
GST payable	3,608	2,176	695
Related party payables/(receivable)	-	(798)	5,340
Closing Balance	20,245	23,115	22,343

7. Employee Entitlements

	JUNE 2023 UNAUDITED (\$000'S)	JUNE 2022 UNAUDITED (\$000'S)	DECEMBER 2022 AUDITED (\$000'S)
Balance as at 1 January	2,328	2,479	2,479
Net movement in provision	426	1,019	(151)
Closing Balance	2,754	3,498	2,328
This is represented by:			
Current liability	2,754	3,498	2,328
Non-current liability	-	-	-
Total	2,754	3,498	2,328

8. Property, Plant and Equipment

	JUNE 2023			JUNE 2022		
	COST/ VALUATION (\$000'S)	ACCUMULATED DEPRECIATION (\$000'S)	BOOK VALUE (\$000'S)	COST VALUATION (\$000'S)	ACCUMULATED DEPRECIATION (\$000'S)	BOOK VALUE (\$000'S)
Buildings	252,758	73,406	179,352	208,574	46,049	162,525
Land and improvements	49,580	3,886	45,694	47,661	3,563	44,098
Plant and Equipment	180,527	111,809	68,718	188,064	117,981	70,083
Furniture and Fittings	7,641	3,398	4,243	7,552	3,441	4,111
Capital Work in Progress	76,196	-	76,196	56,616	-	56,616
	566,702	192,499	374,203	508,467	171,034	337,433

If land and buildings had been carried at cost less depreciation, the carrying amounts would have been:

	JUNE 2023 (\$000'S)	JUNE 2022 (\$000'S)	DECEMBER 2022 (\$000'S)
Buildings	116,182	100,950	114,214
Land and improvements	23,332	21,736	23,299

Key land and improvements and buildings were revalued as at 31 December 2021 to their estimated fair value in accordance with the valuation reports by independent registered valuer, Paul Higson (ANZIV, MPINZ) and Michael Reay (ANZIV, MPINZ) of the firm Telfer Young (Tauranga) Limited ("valuer").

Movements in carrying amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial period are as follows:

	BUILDINGS (\$000'S)	FURNITURE AND FITTINGS (\$000'S)	PLANT AND EQUIPMENT (\$000'S)	LAND AND IMPROVMENTS (\$000'S)	CAPITAL WIP (\$000'S)	TOTAL (\$000'S)
2023						
Balance at 1 January 2023	175,239	4,377	76,588	45,661	58,155	360,020
Reclassification of assets from Dec 22	7,441		(7,441)			
Restated Balance at 1 January 2023	182,680	4,377	69,147	45,661	58,155	360,020
Additions	324	223	5,228	223	18,043	24,041
Transfers from Capital WIP	-	2	-	-	(2)	-
Leases completed			576			576
Disposals	(2)	(8)	(528)	-	-	(538)
Write off of assets	-	-	(1)	-	-	(1)
Depreciation expense	(3,650)	(351)	(5,704)	(190)	-	(9,895)
Carrying amount at 30 June 2023	179,352	4,243	68,718	45,694	76,196	374,203
2022						
Balance at 1 January 2022	165,254	4,357	73,148	43,971	24,614	311,344
Additions	382	134	3,052	305	32,535	36,408
Transfers from Capital WIP	-	-	522	-	(522)	-
Disposals	-	(8)	(163)	-	-	(171)
Write off of assets	-	-	(19)	-	-	(19)
Depreciation expense	(3,879)	(372)	(5,700)	(178)	-	(10,129)
Carrying amount at 30 June 2022	161,757	4,111	70,840	44,098	56,627	337,433

Reclassification of Property, Plant and Equipment

Following review of asset classes disclosed in Property, Plant and Equipment, Refrigeration Coolstore plant and equipment additions in the financial statements to 31 December 2022 have been reclassified from Plant and Equipment to Buildings. The Refrigeration coolstore plant and equipment is a component of the building asset. These assets classified as Plant and Equipment, with a cost of \$7.4m, have been re-classified as Buildings as at 1 January 2023. This reclassification has no impact on the total value of Property, Plant and Equipment or on depreciation expense.

Accounting Policies

Each class of land and improvements, and buildings is revalued to their estimated fair value on a rolling three year cycle, or more frequently if there is evidence that indicates the carrying value of these may differ significantly from their fair value.

Critical accounting estimates and judgements

At 31 December 2021 key land and improvements and buildings were revalued in line with policy. As at 30 June 2023 the Directors believe there are no indicators that would suggest that the carrying value of land and buildings differs materially from their fair value and as a consequence there is no need to revalue those assets at 30 June 2023.

9. Trade and other Receivables

	JUNE 2023 UNAUDITED (\$000'S)	JUNE 2022 UNAUDITED (\$000'S)	DECEMBER 2022 AUDITED (\$000'S)
Trade receivables	7,410	7,809	12,073
Expected credit loss allowance	(34)	(116)	(158)
Accrued income and sundry receivables	49,749	38,174	5,601
Prepayments	5,737	4,846	3,826
Related party receivables	26,142	28,357	23
Associate receivables	-	-	54
Total	89,004	79,070	21,419

Related party receivables represent temporary advances to EastPack Entity Trust grower pools. These advances will be fully repaid by December 2023.

Sundry receivables includes \$38.4m (June 2022 - \$36.4m) of income for post harvest operations.

Critical accounting estimates and judgements

The Group has reviewed trade and other receivables for any debtor impairment, credit risk, or any other such risks that may result in non-payment. The Group has not identified any circumstances where further provisioning or impairment of financial instruments is required.

10. Biological Assets

	JUNE 2023 UNAUDITED (\$000'S)	JUNE 2022 UNAUDITED (\$000'S)	DECEMBER 2022 AUDITED (\$000'S)
Balance at 1 January	4,092	4,096	4,096
Costs capitalised	-	178	4,092
Costs released to profit and loss	(4,092)	(4,096)	(4,096)
Closing Balance	-	178	4,092

Accounting Policy

Biological assets represent the value of developing the fruit on leased orchards that is due to be harvested in the following year and are measured at fair value.

Critical accounting estimates and judgements

The valuation of biological assets uses estimates of market returns to determine value.

11. Inventories

	JUNE 2023 UNAUDITED (\$000'S)	JUNE 2022 UNAUDITED (\$000'S)	DECEMBER 2022 AUDITED (\$000'S)
Packaging stock	4,724	4,375	3,798
Pollen stock	1,729	181	1,863
Provision for obsolescence	(186)	(538)	(186)
Other materials and chemicals	217	1,208	673
	6,484	5,226	6,148

Packaging and other inventory is subject to retention of title clauses

Critical accounting estimates and judgements

The Group has reviewed inventory for any impairment risks and whether additional provisioning or write-offs are required. The Group considers all inventory will be able to be used in the normal course of business.

12. Commitments

As at 30 June 2023 the Group was committed to incur \$2.9m (June 2022 - \$31.5m) capital expenditure for the expansion of coolstore capacity, extension to packhouses, upgrade of refrigeration equipment and the installation of a new grader and grader technology.

13. Transactions with related parties

EastPack Entity Trust is a related party that acts as an administrator of revenues and expenses for the sale of kiwifruit on behalf of growers. EastPack Limited received \$154.6m (June 2022: \$154.1m) for the provision of services to EastPack Entity Trust.

14. Determination of fair values of assets and liabilities

Fair value measurement for financial assets, non-financial assets and liabilities

The fair value of cash and cash equivalents, trade and other receivables, related party advances, and trade and other payables approximates their carrying value due to their short term nature.

Fair value measurement

The table below analyses those financial instruments carried at fair value. The different levels of the fair value hierarchy have been defined below.

Level 1	Quoted prices (unadjusted) in active markets for identified assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability that have to be developed to reflect the assumptions that a market participant would use when determining an appropriate price.

	LEVEL 1 (\$000'S)	LEVEL 2 (\$000'S)	LEVEL 3 (\$000'S)
Derivative financial instruments	650	-	-
Unlisted equity shares	-	1,523	-
Land and improvements and buildings	-	-	225,046
	650	1,523	225,046

The fair value measurement for land and buildings has been categorised as Level 3, as the inputs used as part of the valuation techniques are based on unobservable inputs. There were no transfers into or out of Level 3 of the fair value hierarchy during the reporting period.

a) Land and Buildings

The fair value of land and buildings is determined using valuations by an independent valuer as set out in Note 8. In conducting the valuations, the valuer considered 3 different approaches to arrive at the fair value of the land and improvements and buildings. A weighted average of the 3 valuation methods is applied to derive the final valuation, with greater weighting applied to the income capitalisation approach and equal weighting applied to the discounted cash flow approach and market approach. The information below relates to the valuations undertaken at 31 December 2021.

The following shows the significant unobservable inputs used in the valuations and the inter-relationship between the key unobservable inputs and fair value measurement.

Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Current market rental	Higher market rental results in increased fair value. Lower market rental results in a decreased fair value.
Discount rate	Higher discount rate results in decreased fair value. Lower discount rate results in an increased fair value.
Terminal capitalisation rate	Higher capitalisation rate results in decreased fair value. Lower capitalisation rate results in a increased fair value.
Capitalisation rate of return	Higher capitalisation rate results in decreased fair value. Lower capitalisation rate results in a increased fair value.
Current market sales	Higher market sales prices results in increased fair value. Lower market sales prices results in a decreased fair value

b) Derivative Financial Instruments

Derivatives are initially recognised at fair value at the date a derivative is entered into, and subsequently re-measured to their fair value at each balance date. The fair value is determined based on market rates and quotes provided by Bank of New Zealand.

15. Significant events after the reporting date

There have been no material events occurring subsequent to the reporting date requiring adjustment to our disclosure in the financial statements.



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